

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|----------------------------|---|-----------------|
| NOTICE OF PURCHASED GAS |) | |
| ADJUSTMENT FILING OF DELTA |) | CASE NO. 9331-J |
| NATURAL GAS COMPANY, INC. |) | |

O R D E R

On December 19, 1985, the Commission issued its Order in Case No. 9331 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

On March 17, 1988, Delta Natural Gas Company, Inc. ("Delta"), filed its quarterly GCA which is to become effective May 1, 1988, and is to remain in effect until August 1, 1988.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Delta's notice of March 17, 1988, set out certain revisions in rates which Delta proposed to place into effect, said rates being designed to pass on the overall wholesale increase in gas costs from its suppliers in the amount of 11.81 cents per Mcf.

(2) Delta's notice set out a total refund adjustment of 3.60 cents per Mcf, replacing the previous adjustment of 3.96 cents per Mcf.

(3) Delta's notice set out a current quarter actual adjustment in the amount of 20.10 cents per Mcf to compensate for

previous under-recovery of gas cost by the company through the operation of its gas cost recovery procedure.

(4) Delta's notice set out a balance adjustment of 4.79 cents per Mcf to compensate for undercollections which occurred as a result of previous gas cost, refund, and balance adjustments.

(5) Delta proposed a gas cost recovery rate in the amount of \$2.7248 per Mcf. This is an increase of \$0.1163 per Mcf from the rate previously in effect. The increase represents the combined effect of the supplier increase, refund, actual, and balance adjustments.

(6) Delta's adjustment in rates contained in the Appendix to this Order under the GCA provisions approved by the Commission in its Order in Case No. 9331 dated December 19, 1985, is fair, just, and reasonable and should be approved to be effective with final meter readings on and after May 1, 1988.

(7) In Delta's filing dated March 17, 1988, Delta requested confidentiality for Schedules II, VI, and VII. Confidentiality should be granted for Schedules VI and VII; the Commission is still in the process of reviewing Delta's request concerning Schedule II. Schedule II will be accorded confidential treatment, along with Delta's producer contracts for which it has requested confidentiality in the past, until the Commission has completed its investigation and reached its decision.

(8) The Commission has recently been involved in investigations and proceedings concerning agency purchases of gas utilities for certain industrial customers. The Commission wishes to extend its review to the purchases and sales of Delta's

subsidiaries. Therefore, Delta should supply the Commission with the following information:

1. The same information concerning purchases and sales for Enpro and Delgasco that Delta provided for Delta Resources in Schedule VI, pages 1 of 3 and 3 of 3 of its filing.

2. For the customers listed in Schedule VI, page 3 of 3 of Delta's filing, show how the price per customer is broken down (e.g. gas cost + transportation + markup). Is there any rule of thumb used for the markup per customer?

3. How do Delta and its subsidiaries determine which gas volumes and prices will be targeted to Delta from the subsidiary supplier sources?

4. What would have been the effect on Delta's gas cost if only the cheapest volumes purchased by the subsidiaries were sold to Delta?

5. Have Delta's full requirements contracts with its pipeline suppliers been modified or renegotiated? If so, in what way?

IT IS THEREFORE ORDERED that:

(1) The rates in the Appendix to this Order be and they hereby are authorized effective with final meter readings on and after May 1, 1988.

(2) The gas cost recovery rate shall be \$2.7248 per Mcf effective with final meter readings on and after May 1, 1988.

(3) Within 30 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.

(4) Delta's request for confidentiality is hereby granted for Schedules VI and VII of its GCA filing.

(5) Delta shall file the information requested herein within 20 days of the date of this Order.

Done at Frankfort, Kentucky, this 29th day of April, 1988.

PUBLIC SERVICE COMMISSION

Charles D. Werner, Jr.
Chairman

Robert M. Davis
Vice Chairman

James H. Williams
Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331-J DATED 4/29/88

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

RATES

| | <u>Base Rate</u> | <u>Gas Cost Recovery Rate</u> | <u>Total</u> |
|-------------------------|------------------|---------------------------------------|------------------|
| | | plus | equals |
| General Service | | | |
| Monthly Customer Charge | | | \$3.98 |
| 1 - 1,000 Mcf | \$2.0379 | \$2.7248 | \$4.7627 per Mcf |
| 1,001 - 5,000 Mcf | 1.8920 | 2.7248 | 4.6168 per Mcf |
| 5,001 - 10,000 Mcf | 1.5858 | 2.7248 | 4.3106 per Mcf |
| Over 10,000 Mcf | 1.2795 | 2.7248 | 4.0043 per Mcf |
| Interruptible (2) | | | |
| 1 - 1,000 Mcf | \$1.7826 | \$2.7248 | \$4.5074 per Mcf |
| 1,001 - 5,000 Mcf | 1.6368 | 2.7248 | 4.3616 per Mcf |
| 5,001 - 10,000 Mcf | 1.3306 | 2.7248 | 4.0554 per Mcf |
| Over 10,000 Mcf | 1.0243 | 2.7248 | 3.7491 per Mcf |